

# ERRATA & CORRIGENDA

*S.Bossu and P. Henrotte, “An introduction to Equity Derivatives: Theory and Practice”, 2E,  
John Wiley & Sons (2012)*

*This version: 3 July 2013*

*Please visit [www.introeqd.com](http://www.introeqd.com)*

**Chapter 1, p.9:** Change the title for Problem 9 from “Expected Return” to “Required Return”.

**Chapter 2, p.13:** Replace “PV” with “NPV” in the second shaded box entitled “Example with initial cost  $C_0 = €400mn$ ”

**Chapter 6, p.60:** There is a typo in the formula for  $\Delta$  at the top of the page; replace with:

$$\Delta = \frac{0.559 - 2.978}{26 - 23} = -0.773$$

**Chapter 7, p.82:** There is a typo in Problem 14, question (c); replace with:

“(c) Show that  $Y > K$  if and only if  $X > -d_2$ ”

**Chapter 11, p. 124:** There is a typo in Problem 3, question (b); replace “ $\mathbb{E}(\sigma_t) > \sigma$ ” with “ $\mathbb{E}(\sigma_t^2) > \sigma^2$ ”.

**Solutions, p. 168:** There is a typo in  $\Delta_0$  at the bottom of the page; replace with:

$$\Delta_0 = \frac{0.71 - 10}{60 - 40} = -0.4645$$

**Solutions, p. 189:** The Excel snapshot in Problem 6 contains cell formulas with stale cell references. Please create an account on [www.introeqd.com](http://www.introeqd.com) to download the spreadsheet. The correct snapshot is given in Table 1 p.2 of this document.

**Table 1. Snapshot for Solutions, p. 189, Problem 6.**

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	CHAPTER 9 - PROBLEM 6: DELTA-HEDGING SIMULATION												
2		mu	10%										
3		sigma	40%										
4		r	5%										
5													
6	Day	Time to Maturity	dSt	S	Call	Delta	\$Gamma	Start Ptf Value	Buy/Sell	End Ptf Value	Daily P&L	Cumul. P&L	P&L Proxy
7	0	1.000		100.00	17.97	0.626	-47.35		6,263.12	446,622.82	0.00	0.00	0.00
8	1	0.996	4.22	104.22	20.65	0.665	-47.58	446,199.11	382.66	446,079.65	-512.32	-512.32	-542.45
9	2	0.992	1.31	105.53	21.49	0.676	-47.62	486,476.62	775.85	486,079.65	228.52	-283.80	227.39
10	3	0.988	=D7*(\$C\$2/252 +	=D7+C8	23.69	0.702	-47.38						
11	4	0.984	\$C\$3*NOR	109.75	24.12	0.708	-47.38	10000*E8+1	=10000*(F8-F7)	10000*E7 + 10000*F7	=H8-J7- \$C\$4/252*J7	=L7+K8	=G7*(D8/82
12	5	0.980	MSINV(RA	108.57	23.46	0.701	-47.61	10000*F7* D8	-7,712.98	526,115.77	253.13	382.01	128.88
13	6	0.976	ND()/SQRT(252))	107.51	22.68	0.692	-47.85						\$C\$3*2/52)*1000
14	7	0.972		108.92	23.63	0.703	-47.76	517,393.47	12,454.08	529,847.55	221.91	603.92	227.46
15	8	0.968		109.87	24.26								
16	9	0.964		106.71	22.01								
17	10	0.960	1.90	108.61	23.29								
18	11	0.956	-0.89	107.72	22.63								
19	12	0.952	0.66	108.38	23.05								
20	13	0.948	2.48	110.86	24.76								
21	14	0.944	0.35	111.22	24.98								
22	15	0.940	-0.56	110.86	24.54								
23	16	0.937	0.52	111.18	24.87								
24	17	0.933	1.39	112.57	25.84								
25	18	0.929	2.32	114.88	27.51								
26	19	0.925	-0.09	114.79	27.40								
27	20	0.921	-1.57	113.23	26.19								
28	21	0.917	-0.70	112.53	25.64								
29	22	0.913	3.87	116.40	28.48								
30	23	0.909	0.23	116.63	28.62								
31	24	0.905	4.41	121.04	32.00	0.791	-45.78	601,486.00	35,398.67	636,884.68	-358.77	3,228.43	-377.71
32	25	0.901	5.00	125.00	35.00	0.895	-43.44	638,887.45	43,708.84	682,596.29	789.50	4,017.93	-689.84

